

AR05

RECEIVED DEC 19 1980

AMALTA OILS & MINERALS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1979

We have examined the consolidated financial statements of Amalta Oils & Minerals Limited as at December 31, 1979, and the consolidated statements of assets and liabilities and changes in financial position for the year ending then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year ending then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson Gordon

Calgary, Canada
March 14, 1980

Chartered Accountants

UNIVERSITY OF ALBERTA
FACULTY OF BUSINESS ADMINISTRATION
AND COMMERCE

FRANCIS G. WINSPEAR COLLECTION

Clarkson Gordon

Chartered Accountants

850 Elveden House
Calgary, Canada T2P 0Z3
(403) 269-7391

AUDITORS' REPORT

To the Shareholders of
Amalta Oils & Minerals Limited

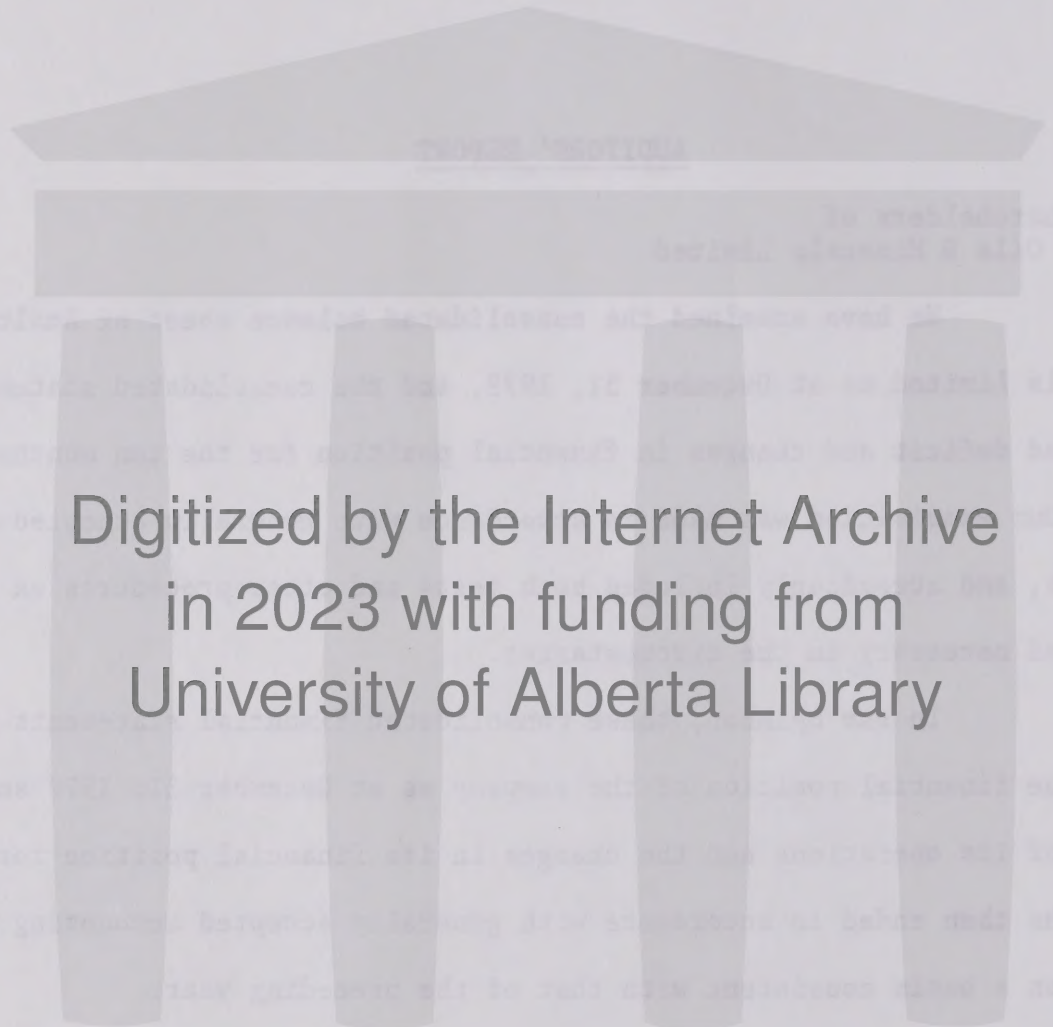
We have examined the consolidated balance sheet of Amalta Oils & Minerals Limited as at December 31, 1979, and the consolidated statements of income and deficit and changes in financial position for the ten months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the ten months then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson Gordon

Calgary, Canada
March 14, 1979

Chartered Accountants



Digitized by the Internet Archive
in 2023 with funding from
University of Alberta Library

https://archive.org/details/Amal0210_1979

AMALTA OILS & MINERALS LIMITED
(Incorporated under the laws of Alberta)

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1979
(with comparative figures as at February 28, 1979)

ASSETS

	<u>December 31,</u> <u>1979</u>	<u>February 28,</u> <u>1979</u>
CURRENT		
Cash and short term deposits	\$ 41,106	\$202,883
Accounts receivable	174,341	28,781
Provincial tax credits receivable	11,292	15,686
Refundable deposits	<u>13,520</u>	<u>2,500</u>
	<u>240,259</u>	<u>249,850</u>
INVESTMENTS (Notes 2 and 3)	<u>1,513,296</u>	
FIXED (Note 3)		
Producing oil and gas properties including well development expenditures	519,751	217,282
Production and other equipment	<u>305,677</u>	<u>282,072</u>
	825,428	499,354
Less accumulated depletion and depreciation	<u>379,282</u>	<u>352,888</u>
	<u>446,146</u>	<u>146,466</u>
INCORPORATION AND REORGANIZATION COSTS	<u>7,646</u>	<u>10,117</u>
	<u>\$2,207,347</u>	<u>\$406,433</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 1979	February 28, 1979
CURRENT		
Demand bank loan (Note 3)	\$1,300,000	
Accounts payable and accrued charges	<u>141,533</u>	\$ 57,521
	<u>1,441,533</u>	<u>57,521</u>
LONG TERM DEBT		
Due to shareholder, Hanen Investments Ltd.		
12% convertible debenture (Note 4)	270,000	270,000
Non interest bearing advances	<u>14,792</u>	
	<u>284,792</u>	<u>270,000</u>
PREPAYMENTS UNDER GAS SALES CONTRACTS	<u>62,247</u>	
SHAREHOLDERS' EQUITY		
Capital (Notes 2 and 5)		
Authorized		
500,000 cumulative redeemable preferred shares of \$10 par value each		
10,000,000 common shares of no par value		
Issued		
40,330 9% preferred shares	403,300	
2,327,905 common shares (February 28, 1979 - 2,227,905 shares)	<u>803,570</u>	<u>778,570</u>
	1,206,870	778,570
Deficit	<u>788,095</u>	<u>699,658</u>
	<u>418,775</u>	<u>78,912</u>
	<u>\$2,207,347</u>	<u>\$406,433</u>

On behalf of the Board:

Director

Director

See accompanying notes

AMALTA OILS & MINERALS LIMITED
CONSOLIDATED STATEMENT OF INCOME AND DEFICIT
FOR THE TEN MONTHS ENDED DECEMBER 31, 1979
(with comparative figures for the year ended February 28, 1979)

	Ten months ended December 31, 1979	Year ended February 28, 1979
Income		
Oil and gas sales	\$299,950	\$345,519
Less royalties	<u>66,267</u>	<u>88,249</u>
	233,683	257,270
Interest	<u>32,983</u>	<u>13,105</u>
	266,666	270,375
Expenses		
Operating	69,433	43,879
General and administrative	104,382	79,527
Interest - long term debt	27,000	32,401
- other	111,112	
Dry holes	30,000	
Depletion and depreciation	26,394	43,832
Amortization	<u>2,809</u>	<u>3,371</u>
	371,130	203,010
Operating income (loss)	(104,464)	<u>67,365</u>
Income taxes (Note 6)		
Deferred		47,556
Provincial tax credits	<u>(11,292)</u>	<u>(15,696)</u>
	(11,292)	<u>31,860</u>
Income (loss) before other items	(93,172)	35,505
Equity in net income of affiliate (Note 2)	<u>4,735</u>	<u> </u>
Income (loss) before extraordinary item	(88,437)	35,505
Extraordinary item		
Income tax reduction realized as a result of utilization of prior years' losses	<u> </u>	<u>47,556</u>
Net income (loss) for the period	(88,437)	83,061
Deficit, beginning of period	699,658	782,719
Deficit, end of period	<u>\$788,095</u>	<u>\$699,658</u>
Income (loss) per share		
Before extraordinary item	\$(.051)	\$.016
Extraordinary item	<u> </u>	<u>.021</u>
Net income (loss) per share	<u>\$(.051)</u>	<u>\$.037</u>

See accompanying notes

AMALTA OILS & MINERALS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE TEN MONTHS ENDED DECEMBER 31, 1979

(with comparative figures for the year ended February 28, 1979)

	Ten months ended December 31, 1979	Year ended February 28, 1979
Source of working capital		
Income (loss) before other items	\$ (93,172)	\$ 35,505
Add items not affecting working capital		
Depletion and depreciation	26,394	43,832
Amortization	2,809	3,371
Deferred income taxes		47,556
Dry holes	<u>30,000</u>	
Funds provided from (used in) operations	(33,969)	130,264
Reduction of advances to affiliates	289,344	
Issue of common shares for cash	25,000	
Prepayments under gas sales contracts	<u>62,247</u>	
	<u>342,622</u>	<u>130,264</u>
Application of working capital		
Investments (Note 2)		
Net non current investment in subsidiary	406,743	
Less issue of preferred shares	<u>403,300</u>	
	3,443	
Aldona Mines Ltd. common shares	1,376,708	
Acquisition of properties, equipment and expenditures thereon	<u>356,074</u>	<u>58,244</u>
	<u>1,736,225</u>	<u>58,244</u>
Increase (decrease) in working capital	(1,393,603)	72,020
Working capital, beginning of period	<u>192,329</u>	<u>120,309</u>
Working capital, (deficiency) end of period	<u><u>\$ (1,201,274)</u></u>	<u><u>\$ 192,329</u></u>

See accompanying notes

AMALTA OILS & MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1979

1. Significant accounting policies

The consolidated financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles applied on a basis consistent with those of the previous year and within the framework of the accounting policies summarized below.

a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned inactive subsidiary B.W.H. Holdings Ltd.

b) Investments

The Company accounts for its investments in its affiliates using the equity method.

c) Fixed assets

Exploration expenditures, including geological and geophysical costs, annual acreage rentals and dry hole costs are charged to expense. The initial acquisition costs of oil and gas properties together with the costs of drilling and equipping successful wells are capitalized. When unproven acreage is surrendered, the costs are charged against income in the year of abandonment.

d) Depletion and depreciation

Capitalized costs of producing oil and gas properties including well development expenditures are charged against income on the unit of production method based on estimated proven reserves.

1. Significant accounting policies (continued)

Production and other equipment is depreciated on the declining balance method at rates of 30% and 20% respectively, which rates are designed to amortize the cost of the assets over their estimated useful lives.

e) Incorporation and reorganization costs

Incorporation and reorganization costs are being amortized on a straight-line basis over a period of five years to 1982.

f) Net income per share

Net income per share is based on income for the period reduced by undeclared cumulative preferred share dividends using the weighted average number of common shares outstanding during the period.

2. Investments

	<u>Shares</u>	<u>Amount</u>
Aldona Mines Limited (44% owned) at cost	<u>868,545</u>	\$1,376,708
Equity in undistributed income from date of acquisition		<u>4,735</u>
		<u>1,381,443</u>
Consolidated Ad Astra Minerals Ltd. (37% owned) at cost	<u>1,005,000</u>	97,297
Advances		<u>34,556</u>
		<u>131,853</u>
		<u>\$1,513,296</u>

a) Aldona Mines Limited

On June 1, 1979, the Company acquired 868,545 common shares of Aldona Mines Limited, representing a 44% interest, for a cash consideration of \$1,376,708. The purchase agreement requires the

2. Investments (continued)

Company to make an offering to purchase an additional 300,000 shares from the public at a price of \$1.55 per share. If this offering is accepted, the Company will hold a 59% interest in Aldona Mines Limited.

The excess of the purchase price over the book value of Aldona Mines Limited at the date of acquisition amounted to \$1,040,633. This excess is attributable to the value of the properties held by Aldona Mines Limited and is being amortized against income in accordance with the Company's accounting policy for properties as described in Note 1. At December 31, 1979 the unamortized portion of the excess amounted to \$1,012,500 after providing amortization in the current period of \$28,133.

b) Consolidated Ad Astra Minerals Ltd.

On April 1, 1979, the Company acquired from a shareholder, Hanen Investments Ltd., all of the issued and outstanding common shares of B.W.H. Holdings Ltd. and assumed advances of \$323,375 bearing interest at 10% from Hanen Investments Ltd. to an affiliate, Consolidated Ad Astra Minerals Ltd., in exchange for 40,330 preferred shares having a par value of \$403,300 and warrants to purchase 500,000 common shares of the Company, exercisable at a price of \$.50 per share before April 1, 1982. The details of this transaction are as follows:

2. Investments (continued)

Investment

Non current assets

Investment in common shares of Consolidated Ad Astra Minerals Ltd.	\$ 97,297
Advances	
Consolidated Ad Astra Minerals Ltd.	323,375
Hanen Investments Ltd.	(14,267)
Incorporation costs	<u>338</u>

406,743
(856)

Working capital deficiency

\$405,887

Consideration

Preferred shares	\$403,300
Legal fees	<u>2,587</u>

\$405,887

The excess of the purchase price over the book value of B.W.H. Holdings Ltd. at the date of acquisition amounted to \$85,495 and is attributable to B.W.H.'s 37% investment in the common shares of Consolidated Ad Astra Minerals Ltd. Since the date of acquisition by the Company Consolidated Ad Astra Minerals Ltd. has had no material earnings.

3. Demand bank loan

The 868,545 common shares of Aldona Mines Limited, and the Company's working interest in certain producing oil and gas properties have been pledged as collateral security for the demand bank loan. The loan bears interest at bank prime rate plus 1 1/2% and is repayable out of future production proceeds from the pledged properties. Management has commenced negotiations to secure long term financing with respect to the investment in the common shares of Aldona Mines Limited as described in Note 2.

4. Long term debt

The 12% convertible debenture payable to Hanen Investments Ltd. is due on March 1, 1983. All property and assets of the Company have been pledged as collateral security for the indebtedness which has been subordinated in favor of the demand bank loan as described in Note 3. The debenture including accrued interest of \$59,400 at December 31, 1979 is convertible at any time, in whole or in part, into common shares of the Company at the rate of 1 share for each \$.20 of indebtedness.

5. Share capital

On August 31, 1979 the Company issued 100,000 common shares to members of management under a stock option agreement for cash consideration of \$25,000.

The Company has reserved a further 100,000 common shares under a stock option agreement with management, exercisable at a price of \$.80 per share before August 31, 1980 in addition to the 500,000 common shares reserved with respect to the outstanding warrants described in Note 2.

6. Income taxes

At December 31, 1979 the Company had deductions of approximately \$886,000 which may be carried forward indefinitely to reduce taxable income of future years. These deductions are represented by timing differences between depreciation, depletion and exploration expenses charged in the accounts and the corresponding amounts claimed for tax purposes. In addition, the Company has non capital losses of approximately \$38,000 which are available for carry forward and which expire as follows: 1981 - \$10,000 and 1984 - \$28,000. The potential tax savings from application of these deductions have not been recognized in the accompanying financial statements.

7. Comparative figures

Certain of the 1978 comparative figures in the accompanying financial statements have been reclassified to conform with the presentation adopted in 1979.

